

"Story" pillows talk in textiles
Prerecorded tape on fast forward

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JAN SEARS

Chain Store Age

GENERAL MERCHANDISE TRENDS

JANUARY

1987

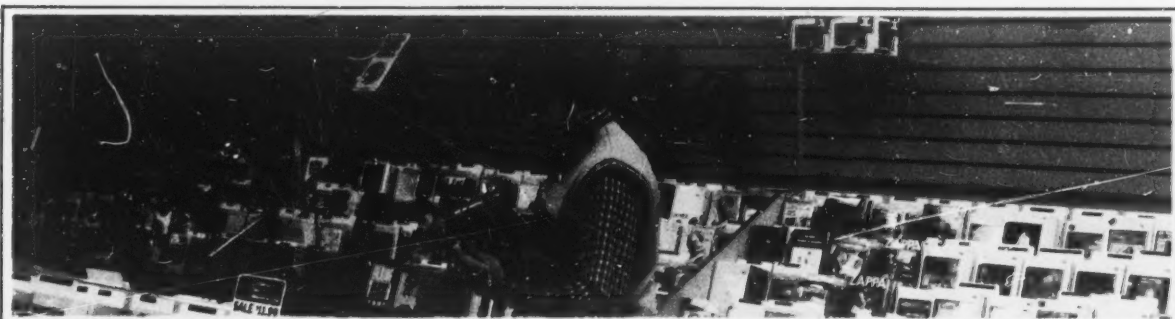
SERVING THE CUSTOMER



On the sales floor with Weinstock's chairman Cheryl Turpin

CONTENTS

JANUARY 1987



When Ed Dempsey opened CD Warehouse in 1984, he soon realized he discovered a retail gold mine 46

Industry Trends

Bozic reveals plans for Sears.	13
Weinstock's tackles the problems of service.	16
Service: retail's No. 1 problem.	19
"Staying close to your customers" at J. C. Penney.	20
Commentary: shopping Nordstrom's.	21

Prerecorded Video Tapes

Prerecorded video sell-through market expands.	29
Tape rentals lead to purchases.	33
Eddie Murphy, Laurel & Hardy help sell general titles.	34
Children's tapes: electronic babysitters.	35
How-to tapes: pumping profits.	37

Market Trends

Debt is no block to buying plans.	24
Compact disc players: a much needed shot in the arm.	40
What good is the razor less the blade.	41
ADC's: fashion and features win out.	42
Towels: consumers want them big and on sale.	44

Consumer Electronics

CD Warehouse merchandises discs only.	46
Copiers need original ideas.	52

Housewares

Housewares makes room for kids' shops.	57
---	----

Home Textiles

Decorative pillows go ethnic.	64
------------------------------------	----

Stationery

Mail-order stationery on the rise.	68
---	----

Toys/Licensing

Puzzles: little effort turns big profits.	70
Ride-ons need a license to move.	72

Financial News

.....	74
-------	----



Pillows tell success story..... 64

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A *Chain Store Age*/Leo J. Shapiro & Associates consumer poll reveals how shoppers rank retail services that influence their shopping choices.

Service: retail's No. 1 problem

What we think the customer wants and what she *really* wants are sometimes two different things," says George Stasick. He should know. He's manager of services and customer relations at J. C. Penney.

Developing policies to get closer to shoppers consumes much of Stasick's time. Stasick, who was a store manager before moving to New York headquarters, works with other Penney store managers to strengthen customer ties (see story on page 20).

The more Stasick and store managers confer, the more they realize, he says, "The No. 1 problem in business today is service."

It may come as a surprise to him and other retail executives to learn that 50% of today's shoppers rank restrooms a retail service that influences their shopping choice.

This is just one of the findings of a survey commissioned by *Chain Store Age* to determine what services women considered when selecting a retail store. The survey, conducted by Leo J. Shapiro & Associates, Chicago-based retail consultants, queried over 1,090 women in five cities—San Francisco, Kansas City, Indianapolis, Washington, D.C. and New Orleans.

According to the Shapiro research, customers from East Coast to West Coast said the most important factor determining their retail choice was being able to get their money back if they were not pleased with their merchandise. Nearly 4 out of 5 women deemed satisfaction the No. 1 service provided by a retailer.

Interestingly, women under age 25 did not rank it as important as women aged 25 to 49, 64.5% vs. 80%, respectively. The same held true for college graduates vs. non-college graduates. About 70% of the grads ranked it the most important service as opposed to 81% of the noncollege grads.



What do customers want? Quick checkout ranks among the top concerns.

How much would it influence your decision where to shop if you were confident of . . . ?

	Total	Work Status		Shopping Orientation		
		All women	Not working	Discount store	Sears, Penney, Ward	Dept. store
Quick checkout	52.8%	51.9%	54.0%	53.9%	56.1%	54.2%
Background music	8.5	6.9	10.8	9.8	8.6	10.6
Sales assistance	43.3	40.1	47.7	40.6	42.1	41.1
Giftwrap	19.7	16.0	25.1	21.0	19.2	23.3
Women's restroom	58.7	48.9	57.3	40.8	52.8	50.3
Store charge card	37.0	34.7	40.2	34.9	38.8	39.2
Phone orders	24.6	20.2	30.8	27.8	24.1	24.4
Money-back satisfaction	77.9	76.7	79.5	78.4	79.2	78.3
Convenient parking	61.8	57.3	66.3	52.7	62.6	60.3
Private fitting rooms	43.8	41.3	47.5	42.9	44.4	47.5
Advance notice of sales/events	45.9	43.8	48.9	43.6	48.1	48.9
Someone in the store knows you by name	19.5	18.7	20.7	20.0	20.3	19.7
Low-cost home delivery	21.1	20.9	21.4	26.6	21.0	23.1

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In general, young women and college grads were not willing to rate any service a "9," the perfect score on the CSA/Leo J. Shapiro & Associates retail service scale. Thirteen factors were judged, ranging from consumer satisfaction to time and energy saving benefits to privacy and comfort services to sales assistance and ambience.

Convenience factors such as close

parking, quick checkout and restrooms were the other services that would sway 50% of the women to change their shopping habits. But only return policy and parking scored across the board with the majority of women. Quick checkout and restrooms were important to a little more than 40% of the young women and college grads, indicating the merchandise may be what really

matters to them.

With so many women waiting to buy goods on sale, it is understandable that over 45% would shop a certain store if they were notified in advance of sales and other events. But that percentage drops sharply among younger women. Only 34% of those under age 25 said it mattered to them as opposed to 47.3% of those between the ages of 25 and 49, again underscoring the fact that young women may put merchandise before price.

Also important to over 40% of the women were private fitting rooms and getting sales assistance. But for those women with an income of less than \$20,000 the percentage opting for privacy dips to 37.6%, reflecting the price of goods may be a bigger concern to them. College grads are also less inclined to demand privacy (38.6% favored it), and some shunned sales assistance as well (33% put that at the top).

In general, fashion guidance appears to be less of an issue today, as

women are more self-assured than their mothers were, points out a nationwide survey of women compiled by Walter K. Levy Associates, retail marketing consultants.

In fact, the Levy research determined that women demand guidance or information when shopping for home furnishings rather than apparel, revealing they may be less knowledgeable and more insecure when shopping for the home. Roughly 3 out of 4 said they would welcome advice when buying curtains and draperies. And nearly 69% admitted they needed help when purchasing housewares.

Store charge accounts hold less favor with customers than might be expected when choosing a store, discloses the CSA/Leo J. Shapiro & Associates data, perhaps the result of so many stores accepting third party cards. A little more than 36% of the women said this would make a difference to them. But the percentage rises dramatically among older women. Nearly 50% of the women

over age 50 said it mattered to them as opposed to 32% of the shoppers aged 25 to 49.

Phone orders also play a larger role in determining where the older women shop. More than 35% of the women over the age of 50 factored ordering by phone into their store decision making process. Only 18.7% of the women aged 25 to 49 and 21% of those under age 25 considered it. Phone orders also meant more to women who have a high school education or less, than they did to college grads, 28.7% vs. 17.8%, respectively.

Low-cost home delivery, knowing your name and attractive packaging are all icing on the cake to women in the study. Only 1 in 5 deemed these services weighty enough to make them head to a certain store.

The least important service offered by retailers is background music. Even for women under age 25 this holds little attraction. Only 8.4% rated it a No. 9.

—Jill Curry

W. Christenson, J. C. Penney store manager, stays close to his shoppers. He greets them in the aisles and at the door. He gets direct feedback and acts on it.

“Staying close to your customers”

I'm never going to shop here again," stormed an irate shopper in answer to J. C. Penney store manager Warren Christenson's query about how she enjoyed "shopping our store."

Startled, he asked her, "Why?"

"I can't fit my stroller through the aisles of the children's wear department," the enraged shopper told him.

Christenson had heard there was a problem with strollers from sales associates in the department. But, somehow, the difficulty registered—viscerally—when he was confronted by a very mad mother.

Warren Christenson, the dapper manager of a bustling \$30 million Penney located in Toms River, N.J., has learned first hand about the likes and dislikes of customers' shopping experiences this year by implementing a new store policy aptly called, "Staying Close To Your Customers."



Warren Christenson, Toms River, N.J. J. C. Penney store manager.

The policy encourages store managers to adopt an old approach—the one that perhaps more than any other helped catapult Penney into virtually every state in the nation. Just as founder James Cash Penney pinned customers down about what they wanted so he could improve his general merchandise store, store managers like Christenson are questioning shoppers to satisfy their needs in local markets.

Christenson feels this policy gives Penney the competitive edge—in his case, over Sears and Macy's, the other anchors at Ocean County Mall. These days Christenson likes to credit Penney's superstar earnings/sales performance to store manager's hands-on approach to customers. He feels Penney has never been more in step to consumer needs. No matter what the gripe, he wants to hear about it from shoppers. And hear he has.

There was this older woman, he

Debt no block to buying plans

How much debt can the customer handle? Economists differ on the implications of record high levels of revolving consumer debt, but as retailers map out plans for 1987, the answer will prove more than a simple academic exercise. Already, Sears has upped its provisions for bad debt this year. Others are reported doing the same.

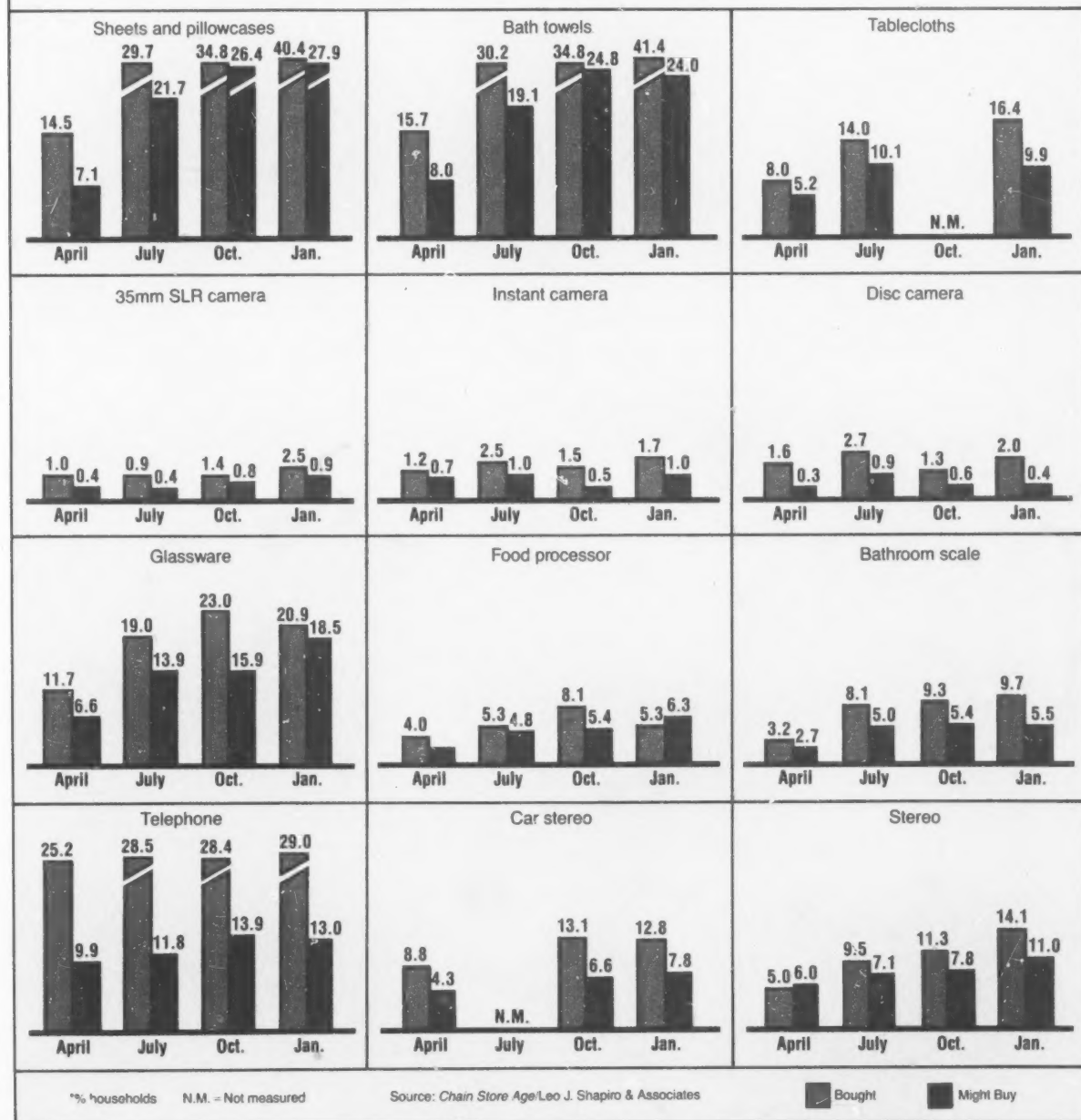
Individual horror stories abound. There are indeed some families which have run up their credit cards to levels of \$20,000 and more. But they are the exception.

What worries many analysts are the more modest—yet historically high—levels carried by the average American family. At current rates, it could take the average family

years to put its affairs back into order, depressing retail sales in the interim.

If economists are convinced that consumers are getting ready to rein in their spending, no one has yet told the customer. According to the latest *Chain Store Age* Market-Trends poll, the spending spree is not over. Customers are reporting increased buying plans for all 12 products in this month's poll—often at double the rate of only nine months ago.

1986-87 Consumer Buying Survey*



The biggest gainers in the January survey are home textiles and housewares. Buying plans for sheets and pillowcases are now nearly quadruple what they were in the April 1986 study. Intention to buy bath towels is exactly triple the reading nine months ago.

Once again, the problem for home textiles may be promotions. As the survey reveals, even the trendiest, high income, department store shopper is willing to wait for a sale before she buys a bath towel. About 4 out of 5 customers say their next bath towel will be oversized.

In housewares, downsized food processors continue to breathe new life into what many feared had become a mature category. Compared to April of last year, customer buying intentions are up by 200%. Glassware buying plans show a 180% gain in the most recent survey. Bathroom scales score a 104% jump.

Even the lowly disc camera scores a modest increase in consumer interest in the latest survey. But the real news is in instants and SLRs.



Sheet and pillowcase interest has nearly quadrupled since April '86.

Polaroid's Spectra looks like a hit. After several years of slumping, customer intent to buy an instant camera is up 43% from the reading recorded only last spring. For SLRs, autofocus might finally be growing the market for single lens reflex cameras. Customer buying plans in the January poll are 125% ahead of last April's figures.

In home electronics, car stereos continue their phenomenal rise. After posting a doubling in customer interest in 1986, this year looks like still another banner year. Compared to last spring's totals, customer buying plans are ahead 81%. Home stereos score a similar increase, gaining 83% over last April's figures. □

NEW PRODUCTS

Healthcheck Corp. introduces a fully automatic one touch Cuffless Blood Pressure Monitor with LCD and Graphic readout. Modular in construction, the unit can be ex-



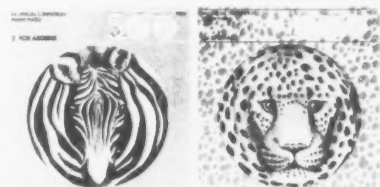
panded with snap-on peripherals to provide Printed Tape, up to 20 times Memory, or Voice Synthesizer if required. (Healthcheck Corp. 1187 Highland Ave., Cheshire, Conn. 06410.)

ACCO has simplified the task of reorganizing computer printouts with the introduction of the new Adjustable Data Ring Binder. Remarkable "swing rings" keep printouts secure while allowing addition or deletion of sheets quickly and easily. Spe-



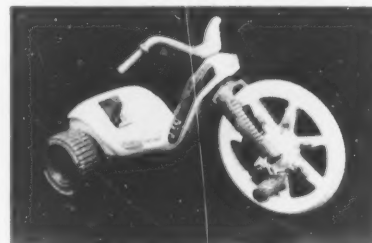
cially designed with innovative easy read flat-fold feature, one can view an entire unburst printout page from top to bottom. (ACCO Int'l Inc., 770 S. Acco Plaza, Wheeling, Ill. 60090.)

Official tournament jigsaw puzzles, specially designed by American Publishing Corporation (APC) for the recently held American Publishing National Jigsaw Puzzle



Championships (APNJPC), are now available in retail outlets through the country. (American Publishing Corporation, Watertown, Mass.)

Hedstrom Corp. has recently announced the introduction of two new low riders for fall 1986. The 16-in. Miami Miss Low Rider in lavender and white and the 16-in. Street Rad Low Rider in green and white. Each low rider features racy mag wheels, a wide track design for a



safe, stable ride, a frame and hefty fork, of durable polyethylene for long life and safety, a steel rear axle, and skid-resistant pedals for better braking control. (Hedstrom Corp., P.O. Box 432, Bedford, Pa. 15522.)



PRERECORDED VIDEO: A Market On Fast Forward

PRERECORDED VIDEO SELL-THROUGH MARKET EXPLODES

Those who thought shoppers would never pay to buy prerecorded videotapes when they could rent them are being proven wrong almost everyday at the local K mart, Target, Jamesway and other leading discount chains.

The sell-through market for prerecorded video tapes has exploded. Retailers have enlarged sections from tiny spinner racks used during in-and-out promotions to huge 20-ft., fully stocked departments.

Moreover, the sell-through market is continuing to grow, while the rental area is projected to shrink. In 1985, \$1.21 billion of the \$3.9 billion prerecorded videocassette market was produced by the "for-sale" items—only 31%. By 1990, however, according to Video Marketing Surveys & Forecasts, sales will account for 55% or \$4.1 billion of total revenues which is projected to surpass \$7.4 billion. Over the next five years, this segment will grow at a dynamic pace of 28%.

Mass retailers are indeed at the forefront of the boom.

"Discounters are definitely getting into the business and doing a good job, mainly with the help of rack jobbers," confirms Tim Baskerville, publisher of *Video Marketing*, a monthly newsletter on the video industry.

Some examples of the major moves retailers have made:

- K mart, which now offers movies in all stores, including both frontline and Public Domain titles, in a department spanning as much as 20 ft., according to buyer Craig Ortale. This is a dra-

matic increase over the spinner rack approach K mart used in Christmas 1985. About 90% of K mart's units are racked by Troy, Mich.-based Handleman Company.

- Target stocks prerecorded videotapes in all of its stores via its own rack operation called Jetco, according to chain spokesman David Houghtby. About 200 titles are in stock and the sales of the department are likely to hit \$21 million in 1987.

- Prerecorded tape sales are

These are just a few examples of the aggressive moves retailers are making to capture a larger share of the market, a market they were timid to get into only a year ago.

Not an Easy Start

About three years ago, discounters and department stores ventured into the sell-through market without much luck. The titles became dust collectors at high price tags of \$50 and up. Even if retailers moved some titles, they were stuck with others which customers just passed by.

"There were several problems," explains Stephen Strome, vice president at the Handleman Company, a leading jobber. "Prices were too high, there were not enough video cassette recorders in place and customers did not realize retailers offered the movies."

Retailers also had trouble keeping up with the rapidly changing titles and they did not want to get stuck with an excess of inventory.

Enter the rack jobber. Services such as Handleman, Charles Levy and Lieberman Enterprises in Minneapolis are providing many retailers with the expertise needed to adequately operate a department. These services, for a fee, provide the merchandise and give the satisfaction of guaranteed sell-through. "That's nice because it removes the risk" notes K mart's Ortale.

Even the frontline video suppliers welcome the addition of the jobber. According to Tracy Dolgin, marketing manager for HBO/Cannon, rack jobbers help



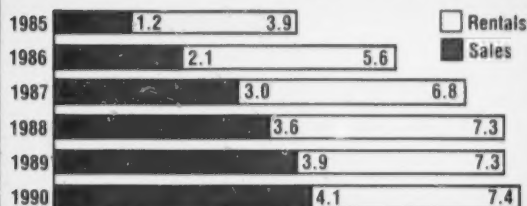
"very successful" at Woolworth, according to buyer Peter Donahue, and the department is being put in large and busy stores.

- Sears just rolled out its prerecorded video program with a department housing only "P" or "PG" titles. The department is being housed near albums and it is up to regional heads to determine the department size.

- Jamesway touts movies in several of its major circulars. Last Halloween, for instance, it advertised scream videos such as "Poltergeist" for \$24.99, "The Exorcist" for \$19.99 and "Nightmare on Elm Street" for \$17.99.

THE MARKET EXPANDS AS RENTALS ARE EXPECTED TO SHRINK. RETAILERS ARE ADJUSTING THEIR DEPARTMENTS.

Video Cassette Industry Revenues*



Source: Video Marketing Survey & Forecasts, 1986
*in billions

because many retailers are already using them for supplying book and record departments and they help alleviate out-of-stock problems.

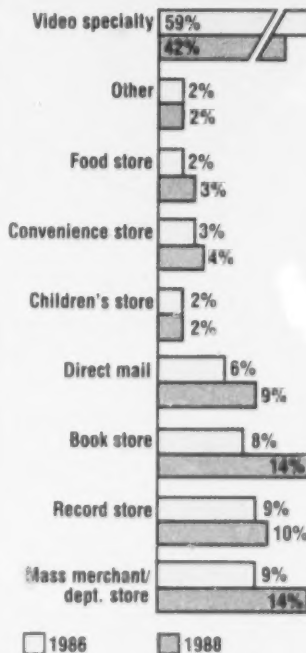
However, some buyers note, the services of the rack jobber will probably change as retailers integrate point-of-sale systems. "We won't need their records of what we move because we'll have that," says one retailer.

VCR boom fuels sales

But even with the success of rack jobbing services, the prerecorded video explosion would not have been possible without several other factors. First and foremost is the swelling number of VCR's now found in the home. Plummeting prices of VCR's from a high of \$1,200 in 1979 to under \$200 today has made the VCR almost a commodity item. It is estimated by Video Marketing that 25.6 million homes have at least one player; that will swell to a penetration of 67.3% or 63.3 million households by 1990, a compounded growth rate of 20%.

VCR's are being played, too. According to the Electronics Industry Association, the mean average of hours a household is playing cassettes is 9.3 hours. And the biggest reason they have VCR's, says research from The Lifestyle Census, is so they can have a "bigger selection of movies." The natural progression after a consumer buys a VCR is to purchase tapes and therefore the period after Christmas is one of the most lively of all. The other strong season, buyers say, is

% of sales to retailers by type of outlet 1986 vs. 1988*



* = Projected
Source: Video Marketing Surveys & Forecasts, 1986

Back-to-School.

Another trend fueling the growth of tape sales is that consumers have slowly become aware of the availability of movies they can own. It all started, say industry experts, when shoppers begged rental outlets to sell them tapes, but they wouldn't. The sell-through market was born. But at first, movie compa-

nies would not release titles for sale; the thinking was that more money could be made in rental.

Now, the opposite is starting to happen. Some titles—"Indiana Jones" and "Sleeping Beauty"—are being released for sale prior to cable. Commtron, a national distributor of consumer electronics and the nation's largest distributor of prerecorded video cassettes, has helped build the awareness of sell-through via national ads such as a video Wish-book tipped into USA Weekend. According to Commtron's vp, finance and cfo Bob Gaddis, the ad features 94 titles priced under \$30 and carried a tag line of where the titles were available.

Just as consumers came to realize they could buy the tapes, studios lowered prices from \$70 to under \$30. Today, retailers split the department between Public Domain titles, which retail for as little as \$10 and under, and frontline titles now in the \$25 to \$30 range. Buyers, such as Ortales at K mart, expect to see frontline drop ever lower perhaps under \$20.

Margins, which average 20%, are already stretched and the price reductions cut further into that. But, retailers note, the increased volume offsets the loss of margins. A properly stocked department turns anywhere from five to eight times, depending on the number of titles.

Getting into the Game

The retailing of prerecorded tapes, like many departments, requires a commitment in the

form of inventory, advertising and space. Decisions must be made whether to use a jobber or buy in-house. Then space has to be culled from other departments. Chains such as K mart and Target are locating tapes in what has become a home entertainment area. In K mart's 500 stores with the bullpen electronics format, tapes are an integral part of the mix. Most mass merchants prefer a self-service, pegged selection for less expensive sku's with some housed under glass for security reasons. Locations near VCR's and record albums are successful, say retail-

ers.

A typical retailer is carrying about 100 to 200 titles stocked about four deep, says Jeff Baker, vp sales and marketing for Good Times Home Video. Initial investment is about \$6,000 (based on a wholesale cost of an average of \$10). Yet, the department has the capability to deliver a whopping \$225 in sales per square foot (based on a 20-ft. department, average ticket of \$30, 150 titles).

Discount and department retailers are poised to grab more of the market, according to research from *Video Marketing*. These outlets currently control

9% of the business; but that should rise to 14% by 1988.

Even though mass merchants have carved out an attractive portion of the business, other outlets are readying an attack. Drug stores such as Eckerd Drug in Clearwater, Fla., are adding movies to the mix. Convenience stores, 7-Eleven in particular, like the results from rental and may add sale tapes. There are even credit card vending machines set to be installed in outlets via Stars To Go and the outlook for specialty stores and rental outlets is a move to more sell-through.

TAPE RENTALS LEAD TO PURCHASES

Households that have been devoted tape renters are the most likely to purchase tapes, according to research from *Chain Store Age*/Leo J. Shapiro & Associates.

Among households that have rented prerecorded tapes, 26% have also purchased a prerecorded tape, the survey found. And, reported purchases of tapes increase in households that are frequent renters. *CSA/Leo J. Shapiro & Associates* found households renting over 24 tapes were more likely to buy, 31% vs. 21%.

Infrequent tape renters purchased a mean of four tapes; frequent renters bought a mean of 17, for a mean average of 12.

The poll reflected what manufacturers have found to be the current trend, with about half of the most recent purchases made for family or grown-up movies, one-quarter children's movies and one-quarter divided between educational or how-tos.

When it came to where tapes were purchased, Target was mentioned by 3.8%, K mart 3.7% and Radio Shack by 2.1%. Although most shoppers prefer the instant gratification of buying at a store, 7% did purchase via mail

order. Catalogers such as The Sporting Edge offer a full array of movies for this group.

The *CSA/Leo J. Shapiro & Associates* study also hints that frequent renters are more likely to invest more money into better quality tapes. The average amount spent among frequent tape renters is nearly \$10 more than less frequent renters. Overall, the average is \$23.30 per purchase—a price on par with the current cost for two Public Domain titles or one frontline.

The research portends a promising future for prerecorded tapes. Nearly 4 out of 10 U.S.

households express some interest in buying a tape in the coming year. In fact, 6% say they'll definitely purchase. A great deal of the volume is coming from repeat business. There is strong evidence of multiple purchasing, too, with those who plan to buy in the coming year, indicating plans to buy five tapes at an average of \$29.70 per tape.

Video tape purchases and rental activity are dominated by the young, wealthy and well-educated. Not surprisingly, a significant portion of renters and buyers have children, the study concluded.

How many tapes might you be buying in the coming 12 months?

	Total	Number rented last year	
		24 or less	over 24
1	7.6%	8.9%	8.0%
2	21.2	24.8	16.4
3	11.0	6.8	13.3
4	10.0	16.7	7.5
5	10.2	11.1	9.7
6	7.2	8.4	7.8
7 to 10	6.9	3.4	9.5
over 10	9.2	6.7	9.2
Not answering	16.7	11.2	18.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

**BEST CUSTOMER FOR A SALE IS A FREQUENT RENTER.
ACTIVITY IS DOMINATED BY THE YOUNG AND WEALTHY.**

EDDIE MURPHY, LAUREL & HARDY HELP SELL GENERAL TITLES

Retailers owe some of their success in the sell-through general movie category to Eddie Murphy.

The release of Paramount's Beverly Hills Cop, starring Murphy, Christmas 1985 was the most dynamic event to hit the industry, and the tape remains the top seller (in units) of all time. As of the summer of 1986, according to Home Viewer Publications Inc., 1.4 million units had been

egory. Retailers say it is a good bet that a movie office blockbuster will be a cash register ringer. That is not always the case, however, in the rental market where consumers often prefer to rent a tape they were not willing to pay box office prices to see.

Buyers, including Craig Orta of K mart and Peter Donohue of Woolworth, believe the price of the frontline videos will continue to drop. During 1986,

are thousands of Public Domain movies and there will be a continuous feed of these titles as the copyrights to movies expire. Some new titles in the market include "Charade" with the late Cary Grant, "Godzilla vs. Megalon" and "Snows of Kilimanjaro."

Public Domain titles generally retail under \$9 and thus yield much higher turns than frontline offerings. Public Domain titles are often gobbled up by the new VCR owner who wants to develop a library without a heavy investment.

Retailers are balancing their mix with about a 50/50 split of frontline videos and Public Domain. Few see that shifting in the near future. Statistics show the budget movies accounting now for 50% of the business, down from 80% two years ago, and that is expected to be the settling point, according to retailers.

"The frontline movies are increasing, but at the same time budget is growing," points out Louis Kircos, secretary/treasurer at Handleman.

But distributors and movie houses will be pressed to continue to debut hot titles, especially because Cambridge Associates predict the popularity of movies designed for entertainment will wane as movies intended for children and how-to tapes grow. In 1985, for instance, the research firm estimated these general interest movies accounted for 70% of viewing. By 1987 that is expected to drop to 61%. The biggest growth will come from children's sku's and instructional offerings.

And some caution that the industry must keep up with the demand for the truly hot titles. "Our biggest concern is making sure there is enough availability and that the tapes can be duped



Frontline prices are declining.

sold for a whopping total of \$41.9 million at retail.

Beverly Hills Cop kicked off strong consumer interest in what is dubbed "frontline" video. Manufacturers have lowered the retail on these movies and some, such as HBO/Cannon, are putting a bounce into sales via commodity product marketing techniques such as sweepstakes and rebates.

The first half of last year saw monumental new debuts for retailers shelves. Titles including "The Sound of Music" (sales of \$11 million), "Alien" (\$8.2 million), "Romancing the Stone" (\$11.5 million) and "Jaws" (\$8 million) brought attention to the cat-

egory. Retailers say it is a good bet that a movie office blockbuster will be a cash register ringer. That is not always the case, however, in the rental market where consumers often prefer to rent a tape they were not willing to pay box office prices to see. Retailers, during 1986, were particularly impressed with Handleman's scary movie promotion featuring "Ghostbusters," "Poltergeist," "Carrie" and "Gremlins."

But even with frontline prices declining, there is room in the market for even lower priced Public Domain titles. According to a source at Handleman, there

**MOVIE THEATER BLOCKBUSTERS, PUBLIC DOMAIN TITLES,
REBATES AND GIVEAWAYS GROW THE MARKET.**

in time," offers Jay Douglas at Lieberman Enterprise.

According to Jeff Baker, vp sales and marketing at Good Times Home Video in New York, there is always room in the customers' basket for quality tapes at good prices.

"These are impulse items priced under \$10 and we have some well-known titles with stars like Don Johnson or Henry Fonda which have a wide appeal."

Retailers including Caldor and Jamesway are making the most of Public Domain titles with ads touting Old Time Favorites.

Not to be outdone, frontline video distributors are getting into the act by selling tapes like they would sell detergent, with giveaways and rebates.

"We feel a rebate program will help raise the awareness level," says Tracy Dolgin at HBO/Cannon. The firm will shortly offer a \$5 rebate if a customer buys two specified movies—say "Rambo-First Blood II" and "Rambo-First Blood." Over 20 million rebates will be available with ads in magazines including *Time* and *People*.

"If you asked people in Christ-

mas 1985 if they knew they could buy frontline movies, no more than 50% would even know they could," says Dolgin.

Also, HBO/Cannon has a sweepstakes worth a dream trip to a location in one of six videos. The company has selected over 100 tested titles in six sell-through categories—frontline, exercise, children's, Public Domain, musicals and rock videos—priced from \$14.95 to \$39.95.

To get involved, customers answer video trivia questions in the store, a ploy many retailers agree will raise traffic levels.

CHILDREN'S TAPES: ELECTRONIC BABYSITTERS

Prererecorded videotapes aimed at children produce about 18% to 20% of total sell-through volume. But what is even more promising for the category is that it builds repeat business and it is the fastest growing segment of the entire prerecorded market.

"A child will watch a tape over and over again," comments Bill Reitman, product manager youth electronics for Racine, Wis.-based Western Publishing. "Tapes are a good value to the parent and we have research which proves that if they like the tapes, they'll buy others and retailers like that."

Children's videos, some say, are becoming modern day babysitters. The tapes are preferred over TV because the parent can control what the child is watching.

"You have all these Yuppies out there who work so many hours they can't spend time with their kids, so they compensate by buying them everything, especially tapes which they view as an educational tool," says a buyer for a leading discount chain.

The burgeoning demand for quality children's tapes has



The magic price point is under \$15.

caused retailers to carve space out of video departments for children's titles. Some retailers, such as Child World, stock as many as 60 to 100 titles for children alone. While most locate children's selections within the video department, some are cross merchandising these titles on spinner racks in the toy department and/or book area.

The magic price point for children's offerings is under \$15. In fact, children's videos were the first to break the \$15 barrier—a move that triggered the sell-through market.

So strong is the potential for growth of youth-oriented titles

that chains often devote entire ads to children titles. Sears has announced its video departments will stock only "P" or "PG" titles—a move clearly showing where Sears feels the market is heading.

Children's tapes currently fall under three different headings: educational tapes, entertainment storyboards (often using licensed characters) and sing alongs. The current best sellers, according to Handleman are: "Sleeping Beauty" (\$29.95); "Pinocchio" (\$29.95); "Popples" (\$14.99); "Canine Commando" (\$14.95); "Chip & Dale" (\$14.95); "Sword in Stone" (\$29.95); "Leg-

**PRESENT SALES STRENGTH LIES IN ENTERTAINMENT TAPES.
THE REAL SIZZLE IS EXPECTED FROM EDUCATIONAL.**

end of *Sleepy Hollow*" (\$19.95); "Mickey's Christmas Carol" (\$14.95); and "Sing Along Songs" (\$14.95).

Although the current favorites are entertainment oriented, the real sizzle will come from educational programs, suggests Robert W. Sigman, vice president sales & marketing for Kids Classics, a leading children's video distributor with titles such as "Betty Boop" and "Flash Gordon."

Kids Classics, for instance, has a new program of its own tapes approved by "Good Housekeeping Magazine." The tapes feature topics such as cooking, numbers and letters, colors and shapes and activities and crafts. The firm also has an agreement with Hensen Associates for "Muppet Babies Video Storybooks."

The beauty of original tapes is the company does not need to pay hefty licensing fees. These tapes are also perfect for series, which lead to multiple sales.

Western Publishing has ex-

panded its line from eight to 34 titles, according to Reitman. "We saw it as a natural to our book business and we just shipped our one billionth book," he adds. Some of Western's titles include "Pound Puppies," "Masters of the Universe," "Sesame Street" and "Care Bears."

Although children's video program sales have skyrocketed, the category carries some of the same problems of traditional videos. Balancing the titles can be tricky, especially since some children's titles move differently according to a region. Some titles just don't appeal to either the parents or the children. Then there's the question of whether it is a year-round business, or purely seasonal.

"These are many questions retailers have and it is one reason why so many turn to rack jobbers," explains Jay Douglas, video buyer for Lieberman.

As far as seasonality, Reitman believes it is still a business driven by the fourth quarter. But, he

adds, the availability of more and better titles is fueling a demand on a day-in-day-out basis. It is not uncommon, however, for retailers to beef up the selection during and just after Christmas.

Most vendors offer shrink-wrapped children's videos with a J-hook for hanging. And just like adult tapes, children's videos are getting titles before the rental market. Disney's "Sleeping Beauty," for example, is expected to be a blockbuster this year—it debuted at retail.

The possibilities down the road are endless, according to Douglas. "We'll see children's exercise tapes, cooking tapes and even Bible tapes."

What's more, buyers say, is the promise of interactive videos and toys. Several toy companies are teaming up talking toys with videos such as Lewis Galoob's *Smarty Bear*. That means the toys, plugged into the VCR, become a talking play partner for the child. *Smarty Bear* currently sells for \$65, the tapes cost \$20.

Home viewer "Top 55" titles of all time

Title (Label)	Units	Retail value (millions)	Title (Label)	Units	Retail value (millions)
1. <i>Beverly Hills Cop</i> (Par)	1,400,000	41.9	<i>Jane Fonda's Prime Time Workout</i> (K/L)	210,000	8.4
2. <i>Jane Fonda's Workout</i> (K/L)	1,000,000	60.0	33. <i>The Goonies</i> (Warner)	200,000	16.0
<i>Raiders of the Lost Ark</i> (Par)	1,000,000	36.0	<i>The Jewel of the Nile</i> (CBS/Fox)	200,000	16.0
4. <i>Clue</i> (Parker Brothers)	600,000	24.0	<i>Star Trek—Motion Picture</i> (Par)	200,000	11.2
<i>Making Michael Jackson's Thriller</i> (Vestron)	600,000	18.3	<i>Mary Poppins</i> (Disney)	200,000	8.8
6. <i>Jane Fonda's New Workout</i> (K/L)	500,000	20.0	<i>We Are the World</i> (RCA/Col)	200,000	3.0
7. <i>Purple Rain</i> (Warner)	475,000	14.2	<i>Amye Rosenberg's Golden Stories</i> (Western Publishing)	200,000	2.2
8. <i>Back to the Future</i> (MCA)	450,000	36.0	<i>Animal Nursery Tales</i> (Western)	200,000	2.2
9. <i>Rambo: First Blood 2</i> (Thorn)	427,000	34.1	<i>Best Loved Golden Stories</i> (Western)	200,000	2.2
10. <i>Star Trek III</i> (Par)	425,000	12.7	<i>Favorite Golden Stories</i> (Western)	200,000	2.2
11. <i>Return of the Jedi</i> (CBS/Fox)	415,000	33.2	<i>Little Critter & Other Stories</i> (Western)	200,000	2.2
12. <i>Ghostbusters</i> (RCA/Col)	410,000	32.8	<i>Masters of the Universe</i> (Western)	200,000	2.2
13. <i>The Empire Strikes Back</i> (CBS/Fox)	400,000	32.0	<i>Sesame St. Favourite Stories</i> (Western)	200,000	2.2
14. <i>Flashdance</i> (Par)	385,000	13.9	<i>Sesame St. Popular Stories</i> (Western)	200,000	2.2
15. <i>The Wizard of Oz</i> (MGM/UA)	350,000	14.5	47. <i>Playboy's Video Centerfold</i> (K/L)	200,000	2.0
16. <i>Gone With the Wind</i> (MGM/UA)	320,000	28.8	48. <i>Robin Hood</i> (Disney)	185,000	11.8
17. <i>Star Trek II</i> (Par)	305,000	10.4	48. <i>The Karate Kid</i> (RCA/Col)	180,000	14.4
18. <i>Gremlins</i> (Warner)	300,000	24.0	<i>A Nightmare on Elm St. Pt. 2</i> (Media)	180,000	14.4
19. <i>An Officer and a Gentleman</i> (Par)	295,000	10.0	<i>Tootsie</i> (RCA/Col)	180,000	11.9
20. <i>Pinocchio</i> (Disney)	275,000	14.7	51. <i>The Delta Force</i> (Media)	175,000	14.0
21. <i>Rocky IV</i> (CBS/Fox)	260,000	20.8	<i>Missing in Action</i> (MGM/UA)	175,000	14.0
22. <i>The Sound of Music</i> (CBS/Fox)	250,000	11.0	<i>Spies Like Us</i> (Warner)	175,000	14.0
<i>Footloose</i> (Par)	250,000	9.1	<i>Romancing the Stone</i> (CBS/Fox)	175,000	11.5
<i>Trading Places</i> (Par)	250,000	9.0	<i>Jane Fonda's Private Workout</i> (K/L)	175,000	7.0
<i>White Christmas</i> (Par)	250,000	6.2			
26. <i>Super Bowl Shuffle</i> (MPI)	245,000	4.9			
27. <i>Witness</i> (Par)	240,000	19.2			
<i>Terms of Endearment</i> (Par)	240,000	9.0			
29. <i>48 Hrs.</i> (Par)	230,000	8.1			
30. <i>Alice in Wonderland</i> (Disney)	225,000	6.7			
31. <i>Cocoon</i> (CBS/Fox)	220,000	17.6			

Unit sales and retail figures include reduced-price promotions.
Source: Home Viewer Publications Inc.

HOW-TO TAPES: PUMPING PROFITS

Three small words will translate into big dollars at retailer's checkouts in the months to come: Low Impact Aerobics.

Jane Fonda, the exercise guru, just launched her newest tape called "Low Impact Aerobics" and retailers and distributors alike pick it as one of the most promising titles of 1987.

The minute Fonda debuted her first tape and told millions of Americans to "go for the burn," interest ballooned in how-to tapes. While retailers were leery enough of frontline for the sell-through market, they were even more skeptical about how-to entries—until Jane came along.

"Her tapes have been phenomenal," offers Bob Gaddis, vp, finance and cfo at Commtron. "She's given the how-to segment real potential."

Fonda's exercise tapes have spawned others such as Raquel Welch's, Kathy Smith's, Jacki Sorenson's and Bubba Smith's. Some companies Good Times Video, for example, have produced their own workouts. In fact, Good Times just unwrapped its low impact aerobics entry at significantly lower than the \$39.95 price tag on Fonda's. The Fonda tapes have all sold briskly, retailers note, despite the pricey ticket.

"But," says Good Times' Jeff Baker, "we feel there is a customer who wants exercise programs at a more affordable price."

Fonda's tapes alone carry astounding sales figures. The premiere tape is the No. 1 seller in dollars at \$60 million; the "Jane Fonda New Workout" has amassed \$20 million and even the "Prime Time" tape (aimed at an older market or pregnant women) has reached over \$8 million in sales.

Indeed, exercise tapes have helped create about a \$90 million market for how-to tapes. These educational tapes—coupled with

children's tapes—are pegged to be the fastest growing portion of the sell-through market. These tapes bring back repeat business and are often more profitable. Retailers can also cross merchandise how-to tapes in different departments.

Caldor, for example, stocks exercise tapes near exercise albums. How-to-cook tapes can go

Baker at Good Times believes lower prices are stimulating the once dormant market. "The advent of \$12.99 and \$9.95 how-to tapes is opening the market up. Before the pricing was a turnoff."

Baker is banking on the strong appeal of its internal self-help tapes such as how to stop smoking or how to lose weight.

Retailers, however, are being



Jane Fonda's workout tape is the industry leader in the how-to category.

in food sections; make-up tips tapes in cosmetics and sporting goods videos in the sporting goods department.

But the struggle is to make tapes other than exercise offerings successful, says a source at Montgomery Ward. There's a plethora of how-to tapes and not all are going to work. Retailers run the risk of inundating their mix with poor performers.

And, although Fonda's tapes dot the Top 100 seller list, no other how-to title has achieved that distinction. Yet distributors have confidence.

A significant 8.1% of the *Chain Store Age*/Leo J. Shapiro & Associates surveyed responded they had purchased an educational or instructional film for adults in the last year.

stingy with space for how-to tapes, especially since they are juggling so many sku's in the department. In addition to exercise tapes, the other area off to the fastest start is sporting tips tapes.

"If you get a big celebrity behind a tape, say Jack Nicklaus for golf, the tape has a better chance," offers a buyer at Clearwater, Fla.-based Eckerd Drug. Skiing titles are moving well this winter, even at prices as steep as \$49.95.

Despite mixed feelings about how-to's, retailers say the category does not require promotion. The titles are extremely impulse oriented so the key to success is high visibility, concludes one rack jobber.

EXERCISE AND CHILDREN'S TAPES ARE PEGGED TO BE THE FASTEST GROWING SEGMENT OF THE MARKET.

A SHOT IN THE ARM FOR CD PLAYERS

Not even three years into its short life, the compact disc player is a smash. Digital technology is giving the audio business its first hit since stereo.

What do Bruce Springsteen and compact disc players have in common? They both are giving the audio industry a much needed shot in the arm. Springsteen's hit recording is giving the record business its first unqualified hit since Michael Jackson. CD players are giving the audio business its first hit since—well, stereo. And it is no coincidence that CD player owners are parting with up to \$50 a shot to buy Springsteen on compact disc.

Not even three years into its short life, the compact disc player is a smash. About 7 out of 10 households in the latest MarkeTrends poll say that they have heard of a compact disc player. A little over one-third of households say they actually have listened to a CD recording.

And they like what they hear. About 7 out of 10 in the group that has heard a CD recording report that they can detect a difference between CDs and black vinyl. The hands down winner is digital—by a margin of over 100 to 1. When asked to rate how much better CD sounds, customers in the MarkeTrends sur-

vey say, "a lot better" by a 2 to 1 margin.

Listening, then, is believing—or more accurately, listening to a compact disc recording is the single best way to sell a CD player. Of those who say that there is at least some chance that they will buy a CD player within the next 12 months, 60% have actually heard a digital recording. Only 45% who say that there is no chance they will buy this year have ever heard a CD.

The study confirms what vendors have been saying for nearly three years, but what downright few retailers have put into practice. Audio departments should have the same

recording available for customer listening in all three formats—digital, black vinyl and cassette tape. If customers can hear the difference—and the majority will—then the product itself will do the rest of the selling.

How strong is that selling push? So strong that 12% of current CD player owners say that they definitely will buy another player in 1987. Another 12.2% report that they maybe or probably will purchase a second CD player this year. And among the 4.5% of the MarkeTrends sample who say there is at least some chance they will buy a CD player for their car in 1987, all of those who say they definitely will buy are current CD player owners.

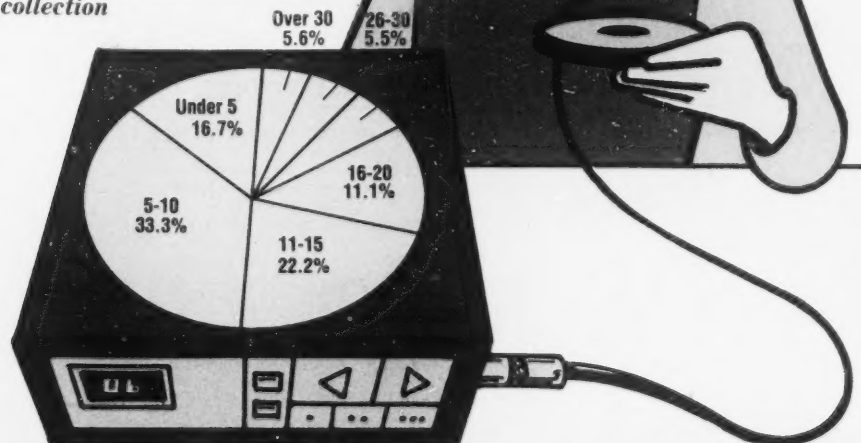
The industry's very success in establishing CD's benefits, however, may be driving the market into price competition as the only way to distinguish players. "Companies were very effective in promoting the generic benefits of compact disc technology," says Venture Development analyst Raymond Boggs.

"Unfortunately, this leads naturally to a commodity business where price is everything."

"The challenge for manufacturers," continues the Natick, Mass.-based researcher, "is to use every means possible—brand name, features, cosmetics—to differentiate products from those of the competition."

The effect of price competition over the last year is clearly evident in the MarkeTrends survey. While those who already own a CD player report having spent an average \$391, those who plan on buying this year expect to pay al-

A dozen discs in the average collection



Source: Chain Store Age/Leo J. Shapiro & Associates

most one-fourth less, or only \$300.

But despite the industry's tendency to turn to price competition over all others, the MarkeTrends poll clearly shows that there are factors other than price which affect the customer's buying decision.

Asked to rank the importance of construction, warranty length, brand name and cosmetics, how well a CD player is made is the most important criterion customers use in choosing a specific product to buy. In the sample 58% rank construction as very important. Warranty length is rated very important by 54%, brand name 30%, and cosmetics 20%.

The relative weakness of brand name in the customer's buying equation may be troubling news for vendors, but for the home electronics retailer, it could prove a boon. With potential customers little concerned about what brand they will buy, retailers will feel free to strike the best deals they can and then sell features and reliability.

High end customers might be sold on features such as advanced error correction and oversampling techniques regardless of manufacturer. Low and middle segment shoppers might be grabbed by selling remote control and faster track-to-track ac-

cess time. Since all the features are available from a wide variety of vendors, retail buyers will be able to pick and choose from the manufacturers which offer the best deal.

How little does brand mean to customers for compact disc players? So little that when asked what brand they intend to buy, "no answer" is the top choice among those who say there is at least some chance they will buy a CD player this year.

Among potential buyers who do have a brand preference, Sony is the No. 1 choice, followed by Fisher, Panasonic, Pioneer, RCA, Sharp, Zenith and Yamaha.

From the current study, price breaks for assortments are still difficult to determine, probably due to the confusion sown by heavy price competition last year. Almost one-fourth of customers cannot give an estimate of what they think they should pay for a CD player.

Of those who do know what they expect to pay, there appear to be four prime price points. At the low end, \$150 to \$179 is the answer for about 5% of those polled. Another 11.7% think \$200-\$249 is the right price, while 14% say \$300-\$349. There is a healthy upper end, composed of 15% of the sample, which

expects to pay over \$500.

Given the choice between a home CD unit and a portable disc player, customers in the MarkeTrends poll pick home units by a 2 to 1 margin.

Though CD players are still the plaything of the better heeled, as time goes on, their customers are becoming more and more middle class. Average income for households which already own a digital disc player stands at \$36,500, but falls to \$34,000 for those who say they might buy in 1987.

Age and education levels of those who will buy this year are also falling. Current CD player owners are 31.7 years old, but this year's buyers will be a few months younger at 31.4. While last year's buyer was more likely to have a college or post graduate degree, this year's buyer will include a healthy chunk of those with high school educations.

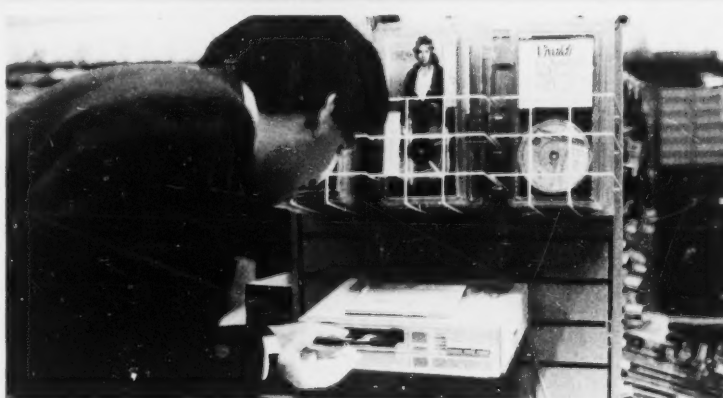
Men still account for a disproportionate share of those who plan to buy digital players in 1987. Put all together, the best customer for CD players this year will be a white male in his early 30's with an income of \$34,000, a high school education or better, and who lives in the suburbs of a metropolitan area with a population of one million plus. □

What good is the razor less the blade

Retailers discovered some time ago that the nice thing about razors were razor blades. They are now happily discovering the same relationship with CD players and compact discs. After plunking down \$391 for a CD player, the average owner spends another \$198 for discs—or about half the cost of the player itself.

According to the latest CSA MarkeTrends poll, there are 12.4 discs in the average collection. Customers report spending about \$15 for each recording. A significant number of CD-player owners—1 in 10—say that they own 25 or more discs already.

Customers with big disc collections are the best prospects for buying a second CD player. In the poll, those who both already own a CD player and who say that there is at least some chance that they will buy an additional



player in the next year, have twice as many discs as those who say they will not buy a second player this year.

The problem for most retailers will be figuring a way to sell both. Most general merchandise chains—as well as the electronics

specialists—have adopted top-seller only merchandise strategies in records and tapes. The best customer for both compact discs and CD players is still a more serious music fan for whom these selections might prove inadequate.

FASHION AND FEATURES WIN OUT IN ADC'S

Once brand-loyal, shoppers are turning fickle. The new coffeemaker look may be opening shoppers to brand-switching. Euro-styling is changing the rules of the game.

Mr. Coffee went for a European facelift last year. It was not a moment too soon, according to results of a recent *Chain Store Age* MarkeTrends survey. The study uncovered dramatic shifts in the automatic drip coffeemaker marketplace.

Once a commodity item purchased only "when the old coffeemaker gave out," as one discounter put it, the ADC has changed. Fashion and features are outweighing price promotions, and shoppers who were once brand-loyal are turning fickle.

Research found two-thirds of the households surveyed already

stocked with the average ADC being four years old. Slightly more than one-third of current coffeemaker owners chose a Mr. Coffee, but the brand's iron grip on the top rung has slackened. Respondents whose ADC's were bought less than two years ago are less likely to own a Mr. Coffee than are households with older coffeemakers.

Owners and nonowners of the appliance were asked what brand they would want for their first or next coffeemaker. Mr. Coffee persisted in winning the popularity contest, but slipped, earning 23.5% of the votes.

Mr. Coffee's loss did not translate into its competitors' gain. Most also-

rans posted decreases, too. Collectively, G.E. and Black & Decker are presently owned by 14% of the sample, but they attract buying intention from only 12% (most of whom are unaware that the G.E. nameplate has been replaced by Black & Decker).

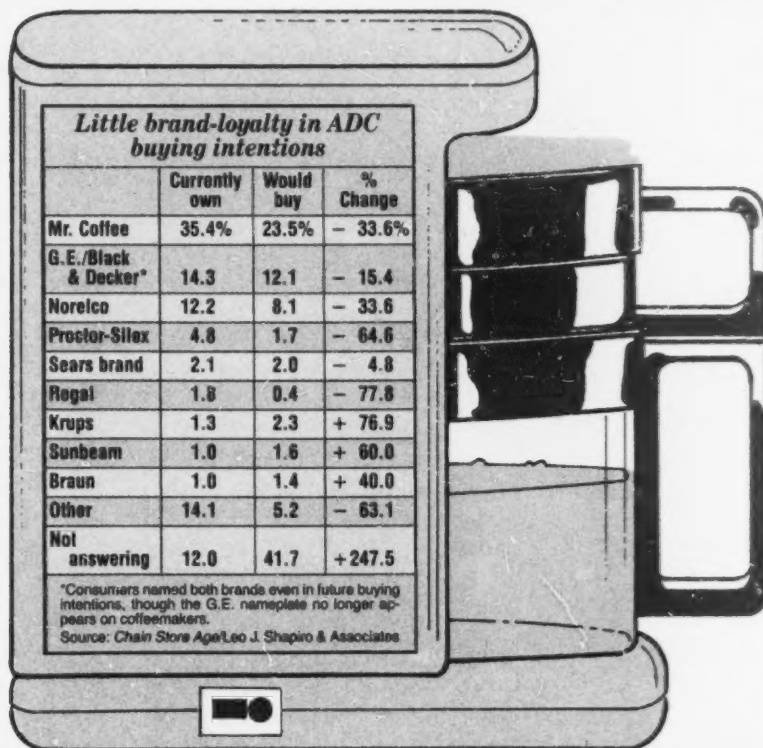
Norelco, now owned by 12%, would be selected in the future by only 8%. Krups and Braun showed slight gains, but not enough to account for Mr. Coffee's decline of marketshare.

The industry leader's slippage was largely owed to the whopping 42% of the sample who had no answer to the brand-preference question. By contrast, just 12% of current owners could not say what brand they own now. Consumers are aware of the label on their current ADC, but do not necessarily want it on their next one.

The new look in coffeemakers may be opening these shoppers to brand-switching. The survey did not detect an enormous rush toward European fashion, but there are indications that Eurostyling is changing the rules of the game.

In surveying for reactions to Eurostyle, it was decided that consumers would be asked how they felt about imports, even though made-in-U.S.A. coffeemakers resembling the Continental competition are already on store shelves.

With only 3.1% of the sample definitely planning to purchase an ADC in the next 12 months (an additional 25% rate their chances as "maybe" or "probably"), not many households are actively shopping for the product. Therefore, it will take some time before they associate familiar brand names with clean lines and alabaster white. However, reactions to imports can be expected to spill over to the U.S.-made look-



alikes.

So far, the reaction is mixed. Nearly three-quarters of the respondents claim they have never seen a European-made ADC. Those who have are split nearly evenly on the esthetics question. About 48% prefer the imports to American models, while 40% have the opposite opinion.

That leaves a relatively small segment of the market clearly in favor of Eurostyle, but it is a segment that could pack a wallop. For one thing, consumers who know and like European imports outpace the rest of the sample in buying intention. More than one-third of them rate their chances of a next-year coffeemaker purchase as "maybe" or better, compared with 28% of the market as a whole.

The admirers of imports also exhibit a strong inclination to make their next purchase in a department store, selected by 36% of them as the place they would go for a coffeemaker.

Consumers shopping for Eurostyle have already had a profound effect on the ADC business. As Norelco execs unveiled their Eurostyle line last spring, they noted that department stores are getting an increasing chunk of the business. Later, Norelco aimed even more closely at department stores by launching its Limited Edition line, designed for that class of trade.

CSA MarketTrends research seems to support Norelco's contention. Nearly 16% of those polled intend to buy their next drip appliance in a department store. That very nearly equals the percentage who plan to shop Sears, Penney or Ward. Discounters lead, drawing 26% of the mentions, while catalog showrooms are the choice of 9%.

All trade classes stand to make better profits on coffeemakers, research suggests. When Norelco eliminated rebates on ADCs, insisting that consumers do not buy them on price, the move was considered controversial. But survey results indicate that Norelco may have been right—to a point.

Respondents are not necessarily ready for big tickets on coffeemakers. The research found that they are remarkably irresolute about price. More than one-fifth of those polled had no answer to the question regarding the amount they expect to pay for the model they want.

What are your chances of buying an ADC in the next 12 months?

	All respondents	Those who prefer European looks
Definitely	3.1%	4.8%
Probably	6.0	10.3
Maybe	19.2	19.2
Total	28.3	34.3

Source: Chain Store Age/Leo. J. Shapiro & Associates

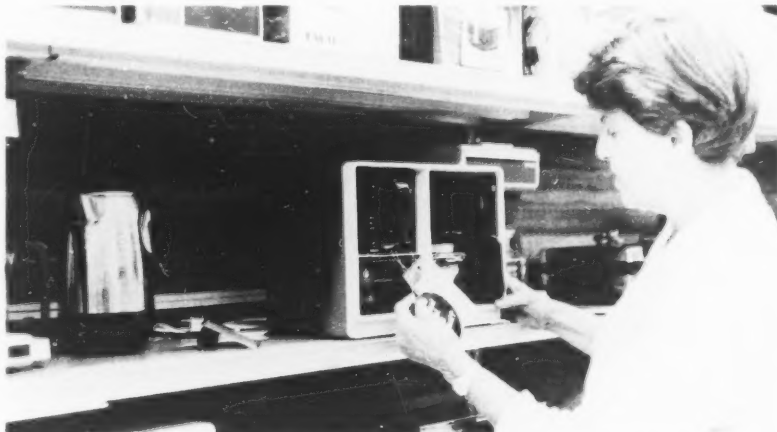
Of those with answers, 37% anticipate spending between \$25 and \$39.99, while nearly 30% are braced for \$40-plus. A mere 11% plan to pay less than \$25.

When it came to questions about

intentions. Storage problems may be speeding up the replacement cycle.

When it comes to features, the mundane emerge victorious over the exotic. Consumers feel very strongly that their next ADC should have an on-indicator light and take standard paper filters. They are less insistent about brew-strength regulation and built-in carafes. Somewhat surprisingly, they are also lukewarm about the brew-stoppage feature much trumpeted in advertisements.

On a scale of 1 to 9, with 9 signifying "absolutely essential" and 1 meaning "not important at all," the on-indicator light earned an average rating of 7.84. Judged second most important among the features eval-



Under-the-cabinet ADC's have survived the under-the-cabinet shakeout.

capacity and features, consumers were much more decisive. As found in past CSA MarketTrends research, the ideal coffeemaker brews 10 or 11 cups. That capacity was selected by 33% of the sample, while 19% want a 12-cup ADC. Only a tiny portion (2.5%) are interested in less than four cups. Black & Decker is aggressively courting them with its Cup-At-A-Time model.

A significant 35% of those surveyed will be looking for a clock built into their next ADC. Consumers who want to combine coffee drinking and clock watching indicate a stronger preference for digital over analog timepieces.

Under-the-cabinet coffeemakers will be chosen by 24%, further evidence that ADC's have survived the under-the-cabinet shakeout. Households planning to hang their next coffeemaker beneath a cabinet register higher than average buying

uated was the ability to take standard-sized paper filters, with an average score of 7.6.

Brew-strength regulation was considered less vital, averaging 6.63 on the importance scale. The built-in carafe option earned a score of 6.23 on average, followed by the brew-stoppage feature with a rating of 6.2.

Final proof that the age of the current coffeemaker is decreasingly important in stimulating sales: more than half the consumers with definite or probable buying intentions have had their coffeemaker for less than three years.

With the most-wanted features being the most commonly available, and with appliance age no longer driving buying intentions, it is clear that ADCs have become a fashion business. Clocks, under-the-cabinet and esthetics are the determining factors. □

CONSUMERS KNOW WHAT THEY WANT IN TOWELS

They want them big and they want them on sale. Just about every income group is promotion-driven. Households earning over \$20,000 are especially bargain conscious.



Most consumers have learned that white sales are a frequent occurrence.

Consumers can easily list what they want in a bath towel. Nearly 3 out of 5 would choose an oversized bath towel over a regular bath size, and a clear majority (70%) prize absorbency more than durability. *Chain Store Age* MarketTrends research found that few people have no opinion on these matters.

Shoppers also tend to be certain about something else, the recent survey revealed. Not only do they know what their ideal towel is like, but they are confident that they can get it on sale.

Retailers are often criticized for failure to communicate and educate. However, when it comes to towels, the average merchant is an outstanding teacher. Most consumers have learned that white sales come along as often as the Fifth Avenue bus. And they are happy to wait,

even when they have a fancy towel in mind.

Overall, 78% of those polled said they would not buy the towel they want until their preferred store ran a sale on it.

Shoppers have been so well trained that even high-income consumers do not want to buy towels at regular prices. In fact, the survey revealed that households with an annual income exceeding \$20,000 tended to be more sale-oriented than the downmarket.

Consumers topping the \$20,000 mark composed 68.2% of the sample but a slightly larger portion (69.4%) of those who would wait for a sale.

Among those eager to sniff out sales were households in the \$40,000 to \$50,000 income bracket. They made up 11.8% of the households surveyed, but 12.3% of the confirmed white sales shoppers.

By contrast, consumers making less than \$20,000 tend to be less promotion-driven. Comprising 30.9% of the sample, they were only 29.4% of those fixated on sales.

Department store shoppers outpaced everyone else in their zeal for sales. A sizeable portion of the sample (28.4%) plan to shop department stores for towels. They constitute a disproportionately large chunk (30.8%) of the group demanding a sale.

Consumers who prefer Sears, Penney or Ward for towels are less likely to scan the newspapers for white-sales ads. They compose 34.1% of the sample, giving the Big 3 the lead in store-preference votes, and about the same percentage of the sale-addicted group. They like sales, but not to a remarkable degree.

Discount stores trail the Big 3 and department stores in consumers' shopping plans. The towel shoppers they attract might be assumed to be a price-sensitive bunch. Surprise! This group falls several percentage points behind department store shoppers in sale responsiveness.

Markdown mania climbs up the income scale, extending even to respondents who say they are willing to pay extra for a towel of pima cotton. People preferring pima tend to be professional-managerial, inclined to shop at department stores—and just as sale-conscious as everybody else.

However, even when put on sale, top-of-the-line goods can command higher prices. Those who are ready to pay more for pima are likely to name \$10 as the additional amount. Pima spells relief for margins.

And whether it happens to be pima or not, the towel purchased by a shopper who would pay more for pima can carry a heftier price tag. Pima lovers anticipate spending

\$9.30 on average for a regular-size bath towel, compared with the average \$7 expected by the market as a whole.

That sounds like good news until you stop and think about it. A \$9.30 tag on a highly desired bath towel?

In a bold move, the Los Angeles-based Bullock's department store chain has decided to put the brakes on promotions and try to coax shoppers up to \$16.50 for Fieldcrest's Royal Velvet in bath, \$29 for Martex's Patrician Pima in the same size.

Quite a step, when even \$20,000-a-year households are steering clear of everyday prices. Bullock's customer, as it happens, tends to have an income of more than double that figure, and CSA MarkeTrends research did find that white sale madness finally reverses at the very upper end of upscale.

Most stores have to depend more heavily on moderate-income shoppers. That includes department stores. The survey shows that if there is anywhere a department store shopper will go slumming, it is at the towel wall.

Help may be on the way in the form of patterned towels. The mills de-emphasized them years ago because patterns are usually on sheared towels, and most consumers prefer terry loops.

That is still the case. The survey found only 14% of those polled preferring patterns to solids. However, response to sheared terry is surprisingly strong, with 35% naming it as the texture of choice, compared with 56% for terry loops.

Most consumers value a bath towel's practical features over its appearance, by about a 7 to 2 ratio. However, consumers most swayed by appearance compose a market segment which could become meaningful in several ways.

Young people show some tendency to prize appearance more than practicality. The important 25-34 age group composes a big concentration of those leaning toward appearance. They also outpace the general market in their receptivity to sheared terry and patterns.

And this appearance-aware group is not particularly stirred by sales. Their attitude toward bargain days is just average.

Shoppers concerned about towel appearance differ from the purely practical consumer in color preferences. On the whole, blue headed

What size bath towel do you prefer?



Source: Chain Store Age/Leo J. Shapiro & Associates



Department store shoppers outpaced everyone else in their zeal for sales.

Everyone loves white sales—especially the affluent

Would you wait for a sale to buy the towel you want?

	Percentage of total sample	Percentage of those who wait for sale
Household income over \$20,000	68.2%	69.4%
Household income under \$20,000	30.9	29.4

Source: Chain Store Age/Leo J. Shapiro & Associates

the desired-color list for those preferring solids, winning 34% of the group's votes. The next most-wanted color, brown, trailed blue by nearly 22 percentage points. Among the other colors named, only yellow and beige topped 8%.

But blue was slightly less popular with appearance-oriented consumers. That segment gave higher-than-average approval to peach and green. Peach was last year's "in" color in domestics and is now considered a basic in some department store assortments.

Perhaps even more significant is the close correlation between attention to towel appearance and desire for pattern.

A slight majority of respondents preferring patterns want it to be

woven rather than printed. Jacquard towels, part of the growing "fancy" category, are showing strength at many stores. The survey findings suggest that they may find acceptance among younger shoppers, and they may not need to be as heavily promoted as other towels.

Higher-end patterned towels from Springmaid will soon arrive on shelves. Springs has introduced its most extensive line of towels to date, coordinating many of them with its bed fashions. Jacquard weaves play an important role.

Interestingly, consumers who prefer prints outstrip others in their desire for cotton/synthetic blends. However, blends do not find much of an audience among any market segment. More than three-quarters of those surveyed want their towels to be 100% cotton, and even the 16% who like blends want cotton to predominate in the fabric mix.

Fieldcrest Cannon has been sampling cotton/rayon and cotton/acrylic blends in its labs as possible supplements to the usual polyester and cotton combination. CSA MarkeTrends research indicates that it will take some talking to win even blend-prone shoppers over to these new duos. Nearly two-thirds of the sample gave thumbs down to them both. □

SG&A cuts post higher profits

Retailers began paying the price for the Tax Reform Act of 1986, as the loss of investment tax credits took a chunk out of third quarter earnings. LIFO charges took still another nibble at profits, but in the end a sampling of 23 of the nation's biggest retailers indicates earnings for the quarter were up almost 15%, just short of their 20% performance for the first nine months.

However, at Sears Merchandise Group, earnings for the quarter nosed ahead a more modest 1.9%. Increased provisions for both LIFO reserves and uncollectable accounts offset benefits from reduced pension expenses due to changes in accounting rules and actuarial assumptions.

Sears earnings for the first nine months of the current fiscal year, which are down 0.8% from 1985, still suffer from the catalog giant's first quarter earnings collapse. In reporting quarterly figures, however, Sears noted that margins had stabilized and that there was a slight reduction in SG&A expenses.

Fellow cataloger J. C. Penney also reported improved gross margins for the third quarter, as the company's sale promotions were reduced according to plan. Earnings at Penney were up almost 25% for the quarter and are running 30% ahead for the nine month reporting period.

Penney noted that selling, general and administrative costs fell in the quarter due to tighter expense controls. While salaries and personnel related costs rose to serve increased customer traffic, and advertising expenses decreased, the company reported that these costs declined as a per cent of sales in both the quarter and nine months.

Promotional campaigns at K mart reduced gross margins modestly during the quarter, but were offset by a reduction in operating expenses from 25.6% of sales in the third quarter of 1985 to 24.6% in this year's reporting period.

K mart attributed its 13% third quarter profit gain to continuing strong sales of apparel and improvements for both sporting goods and automotive departments. For the nine months K mart earnings are up 41% over a comparatively weak 1985.

3rd quarter saw 14.9% gain

Chain	3rd quarter (000 omitted)			Nine months (000 omitted)		
	1985	1986	% change	1985	1986	% change
Sears	\$166,900	\$170,000	+ 1.9	\$ 381,200	\$ 378,300	- 0.8
Penney	93,000	116,000	+ 24.7	173,000	225,000	+ 30.0
Ward	(15,000)	13,000	N.M.	(14,000)	29,000	N.M.
Subtotal	\$244,900	\$299,000	+ 22.1	\$ 540,200	\$ 632,300	+ 17.0
K mart	77,400	87,300	+ 12.8	210,700	297,300	+ 41.1
Ames	10,655	11,049	+ 3.7	22,348	23,101	+ 3.4
Jamesway	3,493	4,145	+ 18.7	6,040	7,600	+ 25.8
Roses	5,504	6,205	+ 12.8	12,774	16,493	+ 29.1
Wal-Mart	70,917	96,531	+ 36.1	194,416	265,786	+ 36.7
Woolworth	38,000	49,000	+ 29.0	71,000	97,000	+ 36.6
Zayre	26,985	22,876	- 15.2	58,167	45,182	- 22.3
Subtotal	\$232,954	\$277,106	+ 18.6	\$ 575,445	\$ 752,462	+ 30.8
Allied ¹	22,940	28,832	+ 25.7	53,807	67,235	+ 25.0
Carter Hawley Hale	9,182	16,425	+ 78.9	29,102	42,565	+ 46.3
Dayton Hudson	56,900	32,300	- 43.2	130,300	107,600	- 17.4
Federated	57,538	34,480	- 40.1	132,589	116,348	- 12.2
May Co.	58,500	73,600	+ 25.8	151,400	167,800	+ 10.8
Mercantile	25,234	27,350	+ 8.4	55,714	63,120	+ 13.3
Subtotal	\$230,294	\$212,987	- 7.5	\$ 552,912	\$ 564,668	+ 2.1
Oshman's	527	(1,136)	N.M.	806	(2,751)	N.M.
Toys "R" Us	7,644	12,755	+ 66.9	31,666	36,157	+ 14.2
Subtotal	\$ 8,171	\$ 11,619	+ 42.2	\$ 32,472	\$ 33,406	+ 2.9
The Gap	13,057	21,279	+ 63.0	12,358	39,897	+ 222.8
The Limited	42,120	68,621	+ 62.9	89,210	140,243	+ 57.2
Edison Bros.	6,500	7,100	+ 9.2	15,400	16,300	+ 5.8
Subtotal	\$ 61,677	\$ 97,000	+ 57.3	\$ 116,968	\$ 196,440	+ 67.9
Clothes Time	3,402	3,964	+ 16.5	8,597	10,224	+ 18.9
Ross	2,600	(1,200)	N.M.	(331)	(8,000)	N.M.
Subtotal	\$ 6,002	\$ 2,764	- 54.0	\$ 8,266	\$ 2,224	- 73.4
Total	\$783,998	\$900,476	+ 14.9	\$1,826,263	\$2,181,500	+ 19.5

¹Excluding extraordinary charges and credits.
Source: Chain Store Age research

N.M. = Not meaningful.

() indicates loss.

Wal-Mart's 36% quarterly gain and 37% year-to-date performance, however, come on top of an equally strong year in 1985. In absolute dollars, Wal-Mart's \$265.8 million earnings for the first three quarters of 1986 puts it behind only Sears and K mart.

Despite the addition of 20 additional Sam's Wholesale clubs over the last year and their embedded lower gross margin, Wal-Mart's pretax earnings for the third quarter of 1986 exactly matched last year's 6.2% of sales.

Zayre posted a 15% profit drop in the third quarter. Coming on the heels of 65% second quarter earnings plunge, totals for the nine-month period are down 22% from last year.

Among the department stores, both Dayton Hudson and Federated posted big earnings slumps for the

quarter. Dayton Hudson profits slipped 43%, while Federated dropped 40%. The culprits, according to both companies, were charges to refinance long term debt, increased LIFO provisions and higher effective income-tax rates.

Earnings from continuing operations without extraordinary charges were down 15.4% at Federated and 8.8% at Dayton Hudson. Net earnings from continuing operations at the newly merged May-ADG were up 22% for the quarter.

Carter Hawley Hale turned in the best profit gains among the department store operators. So good that they tempted The Limited's Leslie Wexner to make another bid for the company. For the third quarter, CHH earnings were up 79% over the same period in 1985. For the nine months, profits are ahead 46%.

November sales weakest in West

November sales inched up a modest 6.3% for the 16 retail companies tracked by *Chain Store Age*, but even that total overstates the month's weak retail climate. Most merchants posted paltry 1%-2% same-store gains over one of last year's softest reporting periods. For the first nine months of the current fiscal year, volume for the 16 chains is up 9.9%.

National retailers reported slow sales for the beginning weeks of the month with a pick up in activity just before Thanksgiving. However, most said that the increased Thanksgiving week activity did not carry over into December's first week.

Sales were weakest in the West, where unseasonably warm weather sent customers to the beach, rather than to the mall for winter apparel. Carter Hawley Hale, which operates The Broadway Southern California, Weinstock's and Emporium Capwell in the state of California, reported comparable store figures for its department store group rising only 2.2%.

At Dayton Hudson, the company said that its November sales were strong in the Midwest, but "noticeably weaker" on the West Coast. Volume dropped 6% at its Mervyn's unit, which Dayton Hudson reported "is experiencing gross margin pressure resulting from a highly competitive West Coast retail environment."

For Sears, the nation's largest retailer, same-store results were up a paltry 1.1%, below even its year-to-date gain of 2%. J. C. Penney also reported comparable sales gaining only 1.4% for its store and catalog operations, which the company characterized as "slightly below plan."

Penney chairman William R. Howell, commenting on the month's results, said that there was less promotional activity during the period than in the prior year. Best sellers, according to Howell, were stereos, toys, athletic footwear, women's accessories and decorative accessories for the home.

Once again, Wal-Mart, despite general economic weakness in its trading areas, turned in record breaking sales performance. Overall volume in November jumped

Same-store sales rise only 1%-2%

Major chains	% change	November sales*		Stores		9-mo. sales*		% change
		1986	1985	1986	1985	1986	1985	
Sears ^{1,2}	+ 1.1	\$ 2,363,700	\$ 2,337,600	806	800	\$ 20,942,800	\$20,532,500	+ 2.0
Penney ²	+ 1.2	1,357,000	1,341,000	1,879	1,979	10,220,000	9,676,000	+ 5.6
Ward ^{1,3}	+ 2.3	413,091	403,679	294	316	3,331,400	3,312,900	+ 0.6
Dayton Hudson	+13.0	946,600	837,800	1,285	1,211	7,290,000	6,540,000	+11.5
Federated ⁴	+ 5.8	812,400	768,200	502	490	6,531,300	6,229,100	+ 4.8
May Dept. Stores	+ 7.6	1,011,300	939,900	2,744	2,375	7,944,500	7,253,400	+ 9.5
Allied Stores	+ 6.9	445,500	416,800	694	640	3,434,000	3,185,000	+ 7.8
Carter Hawley Hale	+ 5.0	397,100	378,300	318	299	3,140,000	2,980,000	+ 5.4
Mercantile	+ 6.6	206,800	193,900	82	80	1,566,300	1,453,500	+ 7.8
K mart ⁵	+ 7.1	1,953,200	1,823,000	2,204	2,187	18,155,600	16,897,500	+ 7.4
Wal-Mart	+34.8	1,247,000	925,000	1,020	868	9,337,000	6,603,000	+41.4
Zayre	+29.7	536,900	414,000	1,097	985	4,175,100	3,156,700	+32.3
Bradlees	+14.2	201,000	176,000	162	158	1,429,000	1,240,000	+15.2
Tandy	+14.0	336,135	294,737	N/A	N/A	2,647,407	2,298,579	+15.2
Circuit City	+40.3	114,100	81,300	88	111	739,600	482,100	+53.4
Federated Group	+20.1	40,000	33,300	68	56	321,700	261,000	+23.3
Totals & Averages	+ 6.3	\$12,381,826	\$11,645,516	—	—	\$101,205,707	\$92,101,279	+ 9.9

*000 omitted. N.C. = no change. N.A. = not available.

¹Store number for full-line outlets only.

²Domestic operations only.

³Continuing operations only.

⁴Excludes supermarket sales.

⁵Store number for K mart stores only.

34.8% and comparable store results leaped ahead 11%.

Other retailers, most notably the electronics specialty chains, also bucked the month's weak sales trend. The biggest of the bunch, Radio Shack operator Tandy, reported volume for its U.S. stores open more than one year up 14%. Richmond, Va.-based Circuit City, well on its way to its first \$1 billion year, recorded sales 40% ahead of last November's results.

"We are pleased with our November sales gains," said Circuit City president/ceo Richard L. Sharp, "because the prior year period re-

flects the opening of 13 new superstores, including the highly successful openings in Los Angeles. Comparable store sales during the month reflected a 15% increase over November 1985."

At May Dept. Stores, its Venture discount stores and Volume Shoe stores carried the ball for the rest of the company. Same-store results gained 16.5% for Venture and 7.9% for Volume Shoe, offsetting a 4.9% drop at its Northeast Caldor discount chain and a 1.4% dip at Loehmann's stores. The department store division turned in a paltry 0.9% comparable store gain.

ADVERTISERS' INDEX

Advo System Inc.	10, 11	Luggage & Leather Goods	
Allen Pen Co.	23	Manufacturers	8
CBS Fox	28	Master Lock	4
Cotter	12	Maxell Corp. of America	30, 31
Crisa	58	Panasonic (car audio)	26
Eastman Kodak	6	Panasonic (telephone)	50, 51
Eureka	60, 61	Plantronics	55
Hasbro-Bradley	75	Schrade Cutlery Corporation	2
Kartes Video		Smith Corona	53
Communication	38	TDK Electronics	76
K & M	69	Teletquest	57
		Thalheim Expositions	9, 22

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